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L5M5 Exam

Managing Ethical Procurement and Supply (L5M5)

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Question 1. (Single Select)

Company X's CSR initiatives focus on community support through profit donations to local charities, organizing employee volunteer days, and providing scholarships for underprivileged students. In contrast, its ESG practices prioritize environmental sustainability by reducing its carbon footprint with renewable energy, cutting waste by 20% in five years, and promoting leadership diversity.

What distinguishes Company X's CSR initiatives from its ESG practices?

- A: CSR initiatives emphasize community support, while ESG practices target environmental sustainability and governance improvements
- B: CSR initiatives are mandatory for compliance, while ESG practices are optional
- C: CSR initiatives only involve philanthropic activities, whereas ESG practices focus solely on environmental sustainability
- D: There is no distinction; both CSR and ESG are the same

Correct Answer: A

Explanation:

Choice A- Correct Answer. This option accurately reflects the difference between CSR and ESG. The CSR initiatives are centered on community support and philanthropic efforts (like donations and volunteer programs) which are basically factors at a top level, while the ESG practices focus on quantifiable goals related to environmental impact and governance structures (such as reducing carbon emissions and ensuring diversity in leadership).

Incorrect Answer:

Choice B- This option is misleading. CSR initiatives are generally voluntary efforts that companies undertake to demonstrate social responsibility, while ESG practices can be driven by regulatory requirements in some sectors, but they are often also voluntary. Many companies adopt ESG standards to attract investors and manage risk, but it's not accurate to categorize CSR as mandatory.

Choice C- This option oversimplifies both concepts. While CSR often includes philanthropic activities, it can also involve ethical labor practices, community engagement, and more. Similarly, ESG encompasses environmental, social, and governance factors, not just environmental sustainability. Therefore, this option doesn't capture the full scope of either concept.

Choice D- This option is incorrect. While CSR and ESG are related and can overlap, they are distinct concepts. CSR focuses more on a company's ethical obligations and contributions to society, while ESG refers to specific metrics like KPI's to assess a company's impact on environmental and social issues and its governance practices.

Reference:

LO-1.1; Page 5, Analyze the application of ethical and ESG (Environmental, Social and Governance) factors in supply chains

Question 2. (Multi Select)

Ms. Nabila plans to create a CSR plan by involving all internal and external stakeholders of the company. Which TWO key components should she prioritize for the CSR plan?

- A: Introduction
- B: Refinement
- C: Financial Analysis
- D: Philanthropic responsibility
- E: CSR Strategy

Correct Answer: B, E

Explanation:

Key components of a CSR plan

&c CSR assessment

&c CSR strategy

&c CSR commitment to stakeholder engagement

&c Implementation plan and activities

&c Verification and evaluation of results

&c Refinement

Reference:

LO-1.1; Page 8; Analyze the application of ethical and ESG (Environmental, Social and Governance) factors in supply chains

Question 3. (Single Select)

As a procurement manager with a focus on sustainability, your objective is to develop KPIs that assess the environmental impact of your suppliers and demonstrate their commitment to eco-friendly practices. What key performance indicators would be most effective in measuring these impacts?

- A: The ratio of recycled materials used in production versus virgin materials
- B: The total number of products the supplier offers
- C: The average response time to customer complaints
- D: The percentage of shipments that are damaged during transit

Correct Answer: A

Explanation:

Choice A- This KPI directly measures the supplier's commitment to sustainability and their environmental impact by indicating how much they are utilizing recycled resources compared to new materials. The other options do not effectively reflect environmental practices.

Incorrect Answer:

Choice B- This KPI measures the breadth of the supplier's offerings but does not provide any insight into their environmental practices or sustainability. A supplier could offer many products without any of them being eco-friendly.

Choice C- While important for customer service and supplier responsiveness, this KPI does not relate to environmental impact. A fast response time does not necessarily mean that the supplier is following sustainable practices.

Choice D- This metric focuses on logistics and supply chain efficiency rather than environmental sustainability. Although reducing damaged shipments can have some indirect environmental

benefits, it doesn't directly measure the supplier's environmental practices or commitment to sustainability.

Reference:

LO-1.1; Page 16; The role of environmental considerations in securing ethical and sustainable procurement and supply arrangements

Question 4. (Single Select)

Westecs Inc., a leading consumer products manufacturer, has made significant investments in sustainable practices across its supply chains and in promotional advertising. Which of the following is the most likely benefit of this investment?

- A: Reduced indirect costs
- B: Improved brand image
- C: Unsatisfied shareholders
- D: Increased number of competitors

Correct Answer: B

Explanation:

Choice B- Investing in sustainable practices and promoting them effectively can enhance Westecs Inc.'s brand image. Consumers increasingly prefer brands that demonstrate a commitment to sustainability, which can lead to increased customer loyalty and market differentiation.

Incorrect Answer:

Choice A- There is an increased spending in indirect costs such as ESG initiatives which is one of the risk of behaving sustainably thus is not a reward.

Choice C- This option is incorrect. Shareholders are typically more satisfied when a company invests in sustainability, as it often aligns with long-term profitability and risk management. However, if the investments are poorly managed or do not lead to expected returns, there could be dissatisfaction, but that is not a likely immediate reward.

Choice D- This option is incorrect. While investing in sustainability may attract new competitors to the market, it is not a direct reward of the investment. Instead, companies might find themselves in a more competitive landscape due to rising consumer demand for sustainable products, but this is not an immediate reward.

Reference:

LO-1.1; Page 28; The risks and rewards of adopting ESG considerations in securing ethical and sustainable procurement and supply arrangements

Question 5. (Single Select)

When developing an ESG policy, which of the following steps should be taken first?

- A: Draft the policy
- B: Consult with stakeholders
- C: Gather Information
- D: Identify the need

Correct Answer: D

Explanation:

Steps to take to develop an ESG policy:

- 1) Identify the need
- 2) Identify who will take lead responsibility
- 3) Gather information
- 4) Draft the policy
- 5) Consult with stakeholders
- 6) Approve the policy
- 7) Procedures

8) Implement the policy

9) Monitor

So the correct answer is D.

Reference:

LO-1.1; Page 32-33; The development of ESG focused procurement and supply policies in securing ethical and sustainable procurement and supply arrangements



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